

## **SCHOOL BUSINESS ALERT**

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### **EQUIPMENT FOR TECHNOLOGY**

One of the most frequently asked questions recently has been, "What money can districts use to obtain technology equipment?" This past legislative session new options were made available to districts to purchase equipment. Some of the ways to obtain equipment include:

1. Purchase technology equipment outright from the general operating fund.
2. Purchase technology equipment outright from the trust funds if the donors so allowed.
3. Purchase technology equipment exceeding \$1500 in value per single unit outright from the PPEL fund (298.3(3)).
4. Lease-purchase technology equipment exceeding \$5000 in value per single unit from the voter-approved PPEL if the voters approved equipment to be lease-purchased (298.3(10)).
5. Enter into a loan agreement in anticipation of property tax revenues from the voter-approved PPEL if the voters approved equipment, and use the loan proceeds to purchase outright technology equipment exceeding \$1500 in value per single unit (297.36). Although similar arrangements are available for the schoolhouse 67.5 cent levy and capital projects, those funds do not permit equipment purchases other than real property.

6. Enter into a loan agreement in the general operating fund, and use the loan proceeds to purchase outright technology equipment. The length of the agreement must be the lesser of the estimated useful life of the equipment or five years (279.48). If not familiar with GAAP, the accounting for this new legislation could be confusing. So the next article explains the accounting steps.

### **ACCOUNTING FOR EQUIPMENT PURCHASES UNDER IOWA CODE SECTION 279.48**

This code section was written to reflect the GAAP legislation which was passed earlier in the session. All long-term debt in any governmental fund will be handled in the following way after June 30, 1995. However, for section 279.48, this procedure went into effect at the same time as the legislation.

For our example, the board will negotiate a loan agreement to purchase \$150,000 of equipment. The useful life will be three years with no down payment and three annual payments at 5% interest using declining balance.

### *ACCOUNTING STEPS:*

1. The board enters into a loan agreement and receives \$150,000 in loan proceeds. Debit "cash" and credit "proceeds of loans greater than 12 months and leases" receipts in the general operating fund for \$150,000. ALSO debit "amounts to be provided to retirement of long-term debt" and credit "long-term loans payable" in the general long-term debt account group for \$150,000.
2. The district purchases \$150,000 worth of equipment. Debit "equipment property" expenditures and credit "cash" in the general operating fund for \$150,000. ALSO debit "machinery and equipment" and credit "investment in general fixed assets" in the general fixed assets account group for \$150,000.
3. The first repayment of \$57,500 becomes due so the district transfers the necessary amount from the general operating fund to the debt service fund. Debit "interfund operating transfers out" expenditure and credit "cash" in the general operating fund for \$57,500. ALSO debit "cash" and credit "interfund operating transfers in" receipts in the debt service fund for \$57,500. ALSO debit "amounts available in debt service funds" and credit "amounts to be provided for retirement of long-term debt" in the general long-term debt account group for \$50,000.
4. The district makes the first payment of \$57,500. Debit "interest" expenditures for \$7,500, debit "principal" expenditures for \$50,000 and credit "cash" for \$57,500 in the debt service fund. ALSO debit "long-term loans payable" and credit "amounts available in debt service funds" in the general long-term debt account group for \$50,000.

5. The district makes the second payment of \$55,000. Repeat steps 3 and 4 above using \$50,000 for principal and \$5,000 for interest.

6. The district makes the third and final payment of \$52,500. Repeat steps 3 and 4 above using \$50,000 for principal and \$2,500 for interest.

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